



# 大賀傳媒股份有限公司 DAHE MEDIA CO., LTD.\*

(formerly known as "南京大賀戶外傳媒股份有限公司" "NANJING DAHE OUTDOOR MEDIA CO., LTD.\*")  
(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 8243)



2007  
Interim Report

\* For identification purposes only

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*The directors of Dahe Media Co., Ltd. collectively and individually accept full responsibility of this report. This report includes particulars given in compliance with the GEM Listing Rules of the Stock Exchange of Hong Kong for the purpose of giving information with regard to Dahe Media Co., Ltd. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS

- For the six months ended 30 June 2007, the Group achieved a turnover of approximately RMB148,510,000, representing a decrease of approximately 22.88% over the same period of 2006.
- Turnover of the Group was mainly from media dissemination business and media design and production business, representing approximately 56.47% (2006: 65.84%) and 43.53% (2006: 34.16%) respectively of the gross turnover.
- For the six months ended 30 June 2007, the Group achieved a net profit of approximately RMB9,360,000, representing a decrease of approximately 16.5% over the same period of 2006.
- Earnings per share was approximately RMB1.13 cent, representing a decrease of approximately 16.30% over the same period of 2006.
- The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: nil).
- The Board of Directors has recommended the payment of a special dividend of RMB 0.27 cent per share (including tax) for 2006.
- During the period, Chongqing Dahe Bashu Media Co., Ltd., a subsidiary of the Group, entered into the liquidation stage, hence the company was excluded from all financial data in this report of interim results.



## CONSOLIDATED PROFIT AND LOSS STATEMENT

The Board of Directors (“Board”) of Dahe Media Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006 as follows:

	Unaudited		Unaudited	
	For the three months ended 30 June		For the six months ended 30 June	
	2007	2006	2007	2006
Note	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	77,927	106,210	148,509	192,577
Cost of sales	(53,595)	(80,459)	(102,849)	(146,658)
Gross profit	24,332	25,751	45,660	45,919
Other revenue and gain	198	(3)	(37)	(16)
Distribution cost	(7,899)	(7,136)	(15,343)	(14,213)
Administrative expenses	(8,241)	(8,106)	(16,484)	(16,160)
Profit from operations	8,390	10,506	13,796	15,530
Finance costs	(1,581)	(2,321)	(3,454)	(3,998)
Profit before taxation	6,809	8,185	10,342	11,532
Income tax	(551)	(1,314)	(1,141)	(1,931)
Profit for the year	6,258	6,871	9,201	9,601
Attributable to:				
Equity holders of the Company	5,682	7,787	9,359	11,209
Minority interests	576	(916)	(158)	(1,608)
	6,258	6,871	9,201	9,601
Final dividend proposed to equity holders of the Company attributable to the year	—	—	—	—
Earnings per share				
— Basic (RMB)	0.68 cent	0.94 cent	1.13 cent	1.35 cent

Note: Calculation of the earnings per share in 2006 and 2007 was based on 830,000,000 shares and 830,000,000 shares respectively.



## CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	178,902	192,276
Land use rights	5,226	5,284
Construction in progress	2,336	622
Goodwill	15,519	15,519
Other intangible assets	16,656	3,446
	<u>218,639</u>	<u>217,147</u>
<b>Current assets</b>		
Inventories	14,786	9,783
Trade and note receivables	56,733	81,450
Other receivables, deposits and prepayments	88,613	69,074
Amount due from holding company	1,631	1,631
Amounts due from related companies	35,476	48,828
Bank balances and cash and pledged bank deposits	99,724	112,569
	<u>296,963</u>	<u>323,335</u>
<b>Current liabilities</b>		
Short term bank borrowings	155,085	175,000
Trade payables	12,622	17,927
Other payables, deposits received and accruals	25,618	10,470
Deferred advertising income	18,508	20,862
Amounts due to related companies	182	532
Other tax payables	4,097	4,117
Current tax liabilities	—	4,976
	<u>216,112</u>	<u>233,884</u>
Net current assets	<u>80,851</u>	<u>89,451</u>
<b>Total assets less current liabilities carried forward</b>	<u>299,490</u>	<u>306,598</u>



	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
<b>Total assets less current liabilities brought forward</b>	<b>299,490</b>	<b>306,598</b>
<b>Non-current liabilities</b>		
Long term bank borrowings	—	—
Other payables	—	—
<b>Net assets</b>	<b>299,490</b>	<b>306,598</b>
CAPITAL AND RESERVES		
Share capital	83,000	83,000
Reserves	199,204	189,845
<b>Equity attributable to equity holders of the Company</b>	<b>282,204</b>	<b>272,845</b>
<b>Minority interest</b>	<b>17,286</b>	<b>33,753</b>
<b>Total equity</b>	<b>299,490</b>	<b>306,598</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Staff welfare reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000	Total RMB'000
At 1 January 2006	83,000	95,914	10,814	5,407	63,506	175,641	258,641
Profit for the period	—	—	—	—	11,209	11,209	—
Increment	—	—	—	—	—	—	—
Dividend declared and paid for the period	—	—	—	—	—	—	—
At 30 June 2006	83,000	95,914	10,814	5,407	74,715	186,850	269,850
Appropriations from retained profits	—	—	2,039	—	(2,039)	—	—
Dividend declared and paid for the period	—	—	—	—	(4,797)	(4,797)	—
Net Profit for the period	—	—	—	—	7,792	7,792	—
Transfer	—	—	5,407	(5,407)	—	—	—
At 31 December 2006	<u>83,000</u>	<u>95,914</u>	<u>18,260</u>	<u>—</u>	<u>75,671</u>	<u>189,845</u>	<u>272,845</u>
Profit and loss from the previous year	—	—	—	—	—	—	—
Profit for the period	—	—	—	—	9,359	9,359	—
Dividend declared and paid for the period	—	—	—	—	—	—	—
At 30 June 2007	<u>83,000</u>	<u>95,914</u>	<u>18,260</u>	<u>—</u>	<u>85,030</u>	<u>199,204</u>	<u>282,204</u>



## CONSOLIDATED CASH FLOW STATEMENT

	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
Cash flows from operating activities	30,143	33,598
Cash flows from taxation	(13,292)	(3,251)
Cash flows from investing activities	(1,678)	(4,848)
Cash flows from financing activities	(7,018)	(6,760)
Net decrease in cash and cash equivalents	8,155	18,739
Cash and cash equivalents at the beginning of period	91,569	72,830
Cash and cash equivalents at the end of period	99,724	91,569





## NOTES TO THE FINANCIAL STATEMENTS:

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts (excluding accounts on Chongqing Dahe Bashu Media Co., Ltd.) are prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 — "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The unaudited condensed consolidated interim accounts should be read in conjunction with the 2006 annual accounts.

### 2. TURNOVER

#### Turnover by segments

	Unaudited For the six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Outdoor advertisement design and production fees	64,653	65,782
Advertising income from the leasing of outdoor advertising space	83,856	126,795
	<u>148,509</u>	<u>192,577</u>

### 3. TAX

	Unaudited For the six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Taxation charges		
PRC income tax	1,141	1,931
	<u>1,141</u>	<u>1,931</u>



#### 4. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
0-90 days	37,832	39,350
91-180 days	18,182	21,440
181-365 days	12,152	11,502
Over 365 days	15,108	9,158
	<u>83,274</u>	<u>81,450</u>

#### 5. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	Unaudited As at 30 June 2007 RMB'000	Audited As at 31 December 2006 RMB'000
0-90 days	8,249	11,448
91-180 days	1,685	1,404
181-365 days	1,286	2,851
Over 365 days	1,402	2,224
	<u>12,622</u>	<u>17,927</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2007, the Group recorded a turnover of approximately RMB148,510,000, representing a decrease of approximately 22.88% as compared with the corresponding period of last year, mainly due to the Group having ceased the business of media advertisement agency. During the period, net profit amounted to approximately RMB9,360,000, representing a decrease of approximately 16.5% as compared with the corresponding period of last year. However, net profit margin during the period increased to 6.3% from 5.8% of the corresponding period last year. Revenue from media dissemination business and media design and production business accounted for 56.47% (2006: 65.84%) and 43.53% (2006: 34.16%) respectively of the gross turnover. Earnings per share decreased 16.30% to RMB1.13 cent. During the period, a subsidiary of the Group, Chongqing Dahe Media Co., Ltd., entered into liquidation, the Group will ensure a smooth liquidation process in order to reduce losses.

During the period under review, turnover of the Group's media dissemination business was approximately RMB83,860,000. Currently, the Group owns media resources of approximately 170,000 square metres and integrated media resources of approximately 40,000 square metres. The Group had extended its business to 64 cities in China, resulting in further expansion of the Group's advertising coverage rate. During the period, the average launching rate for the Group's outdoor media was 70%, representing an increase of 2% over the same period of the previous year.

During the period, "Enkon Quick Show", the Group's cooperation project with China Children and Teenagers' Fund, forged ahead. During the period, the Group had newly installed 1,500 "Ankang Classified Express" billboards and currently has a total of 4,000 "Ankang Classified Express" billboards, which are located at the entrances of the major residential communities in Beijing, Shanghai, Nanjing and Guangzhou, which have brought to the Group the outdoor media dissemination rights of approximately 30,000 square metres. This project had brought approximately RMB6,230,000 additional revenue to the Group during the period, and had created a positive and charitable image for the Group. Apart from generating higher return, the Group's social image and public awareness have also been enhanced. Famous enterprises such as Suning Appliance (蘇寧電器), Best Buy (百思買) (Five Star Appliance Group (五星電器集團)), Midea (美的電器), Wang Lao Ji (王老吉), Red Star Macalline (紅星美凱龍) have become close partners of "Enkon Quick Show", bringing a stream of stable and perpetual growing revenue to the project. Digital display screens have been installed at the "Ankang Classified Express" network for providing community news to the community residents to achieve the objective of offering community service. It is believed that with further expansion of the coverage of the "Enkon Quick Show" network and improvement of the advertising display system, this project will be able to further demonstrate the Group's advantages in speediness, interaction, audience share and time share.



In addition, the media design and production business of the Group continued to maintain its leading position in the industry. For the six months ended 30 June 2007, the turnover of media production business was approximately RMB64,650,000. At present, the Group's business has completely transformed from jet painting to the end production of integrated advertising solutions.

The Group has branches in more than 30 cities in China to satisfy the demand for advertising purchases in China and to provide zero distance services. Apart from leasing advertising spaces, the Group also provides design, production and dissemination services. Such "one-stop" service has enhanced the service quality as well as the competitiveness of the Group. Currently, the Group has 13 media production branches in China offering the services of jet painting, portrait painting, printing, displays, neon tools, exhibition displays, etc. On the basis of superb quality, excellent integration of resources and outstanding media procurement capabilities, the Group strives to become the leading supplier of outdoor media integrated solutions in China.

At present, most of the Group's clients are renowned domestic and foreign enterprises from various industries, including consumer products, telecommunications, home appliances, information technology, foods and beverages, automobiles and petroleum, etc. Existing clients include NIKE, Kentucky Fried Chicken, China Unicom, Chery Automobile, etc. The Group is also developing high-end and quality client segments in order to strengthen the Group's client base and the Group's income. During the period under review, the Group had entered into an agreement with Jinliufu and had secured its jet painting production projects of nearly over 70,000 square metres in China. The Group had also entered into a 20-year "Media Strategic Partnership Agreement" with Shanghai Topstar Hotel chain and jointly built "Magic exhibit booths" for 200 shopping malls in China with the renowned home appliance manufacturer Midea Electric. In addition, the Group had also successfully entered into cooperation agreements with famous enterprises in China, including Shell, Amway, DuPont Property Insurance and Suning Appliance. During the reporting period, the Group had carried out packaging production services for 60 elite outlets of Shell together with brand building services for Shell. The Group had also performed outdoor media applications in six provinces and one city in China for Amway as well as outdoor media dissemination for DuPont Property Insurance. Winning these major advertising contracts reflects the Group's determination to develop its advertising business in China and to strengthen its market leading position. The Group will continue to build a media dissemination network across China. It is expected the total area of media dissemination network in future will exceed 500,000 square metres.



Being one of the top tier advertising enterprises in China, the Group's quality advertising media packages and diversified services have been recognized by fellow enterprises as well as professional bodies. During the period under review, the Group had received various honours and awards including being named in the "2007 Forbes China 100 Top Potential Forces" list and being awarded the special honour of "The Most Influential Advertising Firm for Brand Building in China" at the annual "Global Brand Forum 2007" conference which was likened to the Oscar Award in branding. Mr. He Chaobing, the Group's Chairman, was crowned with the honour of "The Most Influential Advertising Campaigner for Brand Building in China" at the same annual conference. And the "Enkon Quick Show" was also awarded "The Chinese Media of Highest Investment Value".

During the period, the Group had established itself as an official training base for the graduates from Anhui University of Finance and Economics. As a unit of cooperation, the Group provides facilitating services such as internship programmes, practice opportunities and employment tracking surveys to the university's graduates. At the same time, it also gives feedback to the university about the requirements of the enterprises regarding the graduates and the problems the students encountered at work. This plays a positive role in improving the university curriculum and enhancing the quality of teaching.

## OUTLOOK

Given the rapid growth of China's economy, national income and purchasing power have increased simultaneously. China has become one of the largest consumer markets in the world, enterprises are paying more attention to their brand image and product popularity in China's market. They also hope to attract more consumer sales by strengthening their brand marketing through advertising. Hence, the Group believes there will be enormous potential in developing China's advertising market and the role of outdoor advertising media business within overall economy will gain rising importance. The Group will increase the growing pace of outdoor advertising in line with the prevailing market development.

After China's accession to WTO, more foreign enterprises have entered into China's market as the pace of open policy to the external world accelerated. The launching of international events such as Olympic Games 2008 in Beijing and World Expo 2010 in Shanghai will further stimulate the development of the advertising industry as well as the demand for outdoor advertising services. The Group expects to leverage on the rapid growing opportunities of the advertising market in China and continues to expand its media network to all major provinces in China through various means including self-development, mergers and acquisitions in order to increase the Group's market share in large-scale outdoor advertising. The Group predicts that turnover and revenue from the outdoor media dissemination will increase accordingly. Outdoor media dissemination will become the major growth in future revenue.



In addition to the continuous development of local advertising media network, the Group will enhance its existing business and develop new outdoor media business proactively, in particular the Group's "Enkon Quick Show" project. Through marketing advertising space and sales advertisement, the unique "Ankang Classified Express" advertising boards offer a close touch with the lifestyle of the communities. These will lead to continuous growth in the Group's business and great influence to China's advertising media.

Moreover, offering superb quality advertising sales package is the key to success of the Group's business. The Group will continue to enhance its advertising sales packages and strengthen its outdoor advertising design and production services, including the production and installation of new media systems in order to cope with the Group's development.

Looking forward, the Group will optimize the existing business network to expand its business platform, enhance its service quality and asset size, strengthen corporate governance system, acquire more famous local and foreign clients actively, produce and lease more multi-media advertising.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

The Group and the Company did not purchase, sell or redeem any of its listed securities during the year.

## **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

None of the Directors or Supervisors of the Company or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2007.

## **RIGHT OF FIRST REFUSAL**

There is no provision in the Company's Articles of Association requiring the Company to issue new Shares proportionately to the existing shareholders.

## **CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

During the period under review, the Company has continued to adopt a set of transaction standards in respect of securities transactions by directors, which are no less stringent than Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific inquiries to all the directors, and is not aware of any violation of the transaction standards and the standard code in respect of securities transactions by directors as required.



## DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests and short positions of the Directors and the Supervisors (as if the requirements applicable to Directors under the Securities and Futures Ordinance ("SFO") were also applicable to the Supervisors) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 of the GEM Listing Rules were as follows:

Name of Director/Supervisor (note 1)	Company/ name of associated corporation	Capacity	Number of class of securities (note 2)	Approximate percentage of shareholding in the relevant class of securities
He Chaobing	The Company	Interest of a controlled corporation (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%
He Lianyi	The Company	Beneficial owner	6,400,000 domestic shares of RMB0.10 each (L)	1.10%
Wang Mingmei	The Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%
Wang Weijie	The Company	Beneficial owner	3,800,000 domestic shares of RMB0.10 each (L)	0.66%

*Notes:*

1. All of the persons named above are Directors, except Ms. Wang Mingmei who is a Supervisor.
2. The letter "L" denotes the Director's/Supervisor's long positions in such shares.
3. The interests in the domestic shares were held through Jiangsu Dahe International Advertising Group Co., Ltd. ("Dahe International") which was 90% owned by Mr. He Chaobing.

Save as disclosed above, as at 30 June 2007, none of the Directors and the Supervisors has any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 of the GEM Listing Rules.



## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES IN THE COMPANY

### A. Substantial shareholders

As at 30 June 2007, the following persons/entities had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO and were directly or indirectly interested in 10% or more of the shares of the Company:

Name of shareholder	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)
Dahe International	Beneficial owner	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
He Chaobing	Interest of a controlled corporation (note 2)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%
Yan Fen	Interest of spouse (note 3)	405,200,000 domestic shares of RMB0.10 each (L)	69.86%	48.82%

*Notes:*

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interest in the domestic shares were held through Dahe International which was 90% owned by Mr. He Chaobing.
3. Ms. Yan Fen is the wife of Mr. He Chaobing and is deemed to be interested in the shares in which Mr. He Chaobing is interested under the provision of Divisions 2 and 3 of Part XV of the SFO.
4. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.





## B. Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 30th June 2007, save for the persons/entities disclosed in sub-section A above, the following entities/persons had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number and class of securities (note 1)	Approximate percentage of shareholding in the relevant class of securities	Approximate percentage of shareholding in the entire issued share capital of the Company (note 4)
Yan Jian	Beneficial owner	71,800,000 domestic shares of RMB0.10 each (L)	12.37%	8.66%
Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司)	Beneficial owner	50,000,000 domestic shares of RMB0.10 each (L)	8.62%	6.02%
南京市浦口區晨威油墨廠	Beneficial owner	30,000,000 domestic shares of RMB0.10 each (L)	5.17%	3.61%

*Notes:*

1. The letter "L" denotes the person's/entity's long positions in the domestic shares of the Company.
2. The interests in the domestic shares will be held through Nanjing Hi-Tech Venture Capital Co., Ltd., the registered capital of which is 60% owned by Nanjing State-owned Assets Investment Management Holdings (Group) Company Limited (南京市國有資產投資管理控股(集團)有限責任公司).
3. Domestic shares and H Shares of the Company are treated as the same class of shares for such purpose.

Save as disclosed above, no other person/entity had an interest or a short position in the shares and underlying shares of the Company as recorded on 30 June 2007 in the register required to be kept under section 336 of the SFO.



## COMPETING INTEREST

None of the directors, the management shareholders of the Company and their respective associates as defined under the GEM Listing Rules had any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group nor any conflicts of interest which has or may have with the Group.

## CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which reasonably indicates that there has been non-compliance with the Code of Practices under Corporate Governance as set out in Appendix XV of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") in any time during the accounting period covered under the current or quarterly report for the six months ended 30 June 2007.

## AUDIT COMMITTEE

The Company established an audit committee on 23 October 2003 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company. The audit committee comprise four independent non-executive directors, Mr Qiao Jun, Mr Cheng Zhiming, Mr Li Yijing and Mr Shen Jin.

By Order of the Board  
**He Chaobing**  
*Chairman and executive director*

Nanjing, the PRC  
13th August 2007